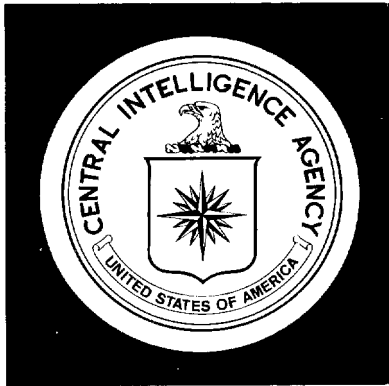


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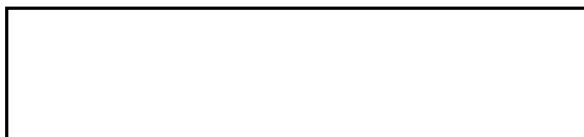
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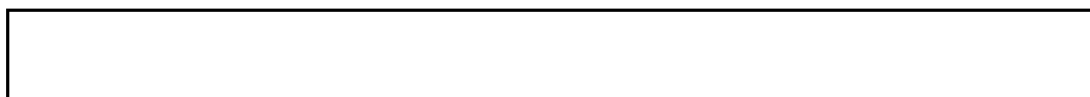
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ISRAEL: Prime Minister Meir's announced intention to resign probably reflects her belief that she no longer commands the political support necessary to govern effectively. It does not appear to be a ploy to force the badly divided Labor Alignment to unite behind her.

Mrs. Meir stated that her decision yesterday to resign is "irrevocable." Her Labor colleagues are calling on her to reconsider, but party leaders are not at all optimistic that she will. She reportedly would, however, continue to head a caretaker government.

If she does resign, President Katzir, after consultations with the political parties, can ask Mrs. Meir or someone else, presumably from the Labor Alignment or the rightist Likud, to form a new cabinet, or the Knesset can vote to call new elections on a date it specifies. Whatever happens, the instability and uncertainty characterizing the domestic political scene are likely to continue for some time and to complicate even further the already difficult process of achieving a Middle East peace settlement.

Labor Party leaders are already casting about for a successor to Mrs. Meir who could keep the Alignment together and form a new cabinet. According to press reports, party leaders believe that Finance Minister Sapir--considered Labor's top politician and next in party influence only to Mrs. Meir--is the logical choice to take over. However, there are strong pressures from the public and from within the Alignment for a completely new leadership, preferably untainted by the controversy over the government's conduct of the war last October and above internecine party strife. These pressures tend to work against the old, traditional frontrunners such as Sapir, and favor men like the popular Yosef Almogi, former minister of labor and recently elected mayor of Haifa. Almogi has been spearheading efforts over the past several days to keep the Alignment together.

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Meanwhile, Likud leader Menahem Begin announced that he will attempt to mobilize support for the formation of a cabinet of national unity. The Alignment, however, is highly unlikely to support such an attempt, and Begin probably could not induce sufficient defections from the Alignment to form a government on his own.

Most Labor Party leaders do not favor new elections, generally believing that no one in the party stands to benefit from them. Should it prove impossible to form a new cabinet under Labor's leadership, the Alignment factions would appear to have no choice but go to the polls once again. In that case, new elections could take place within three months after the Knesset voted to call for them.

Until the current political crisis is resolved--and this could take months--the outlook for breakthroughs in the Middle East peace negotiations is dim. Although a caretaker government could still pursue the negotiations, it would not be willing to commit Israel to any binding arrangements beyond perhaps an initial disengagement on the Syrian front pending the formation of a new cabinet. [REDACTED]

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EGYPT-USSR: Evidence is accumulating that Moscow may have decided to suspend or to slow down its military aid shipments to Cairo as a pressure tactic.

[REDACTED]

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An East European official has reported that deliveries were stopped in late March, and the deputy Tass director in Cairo acknowledged to the US Embassy on April 9 that arms supplies had been "cut off." The Soviet implied, however, that there is nothing immutable about the Soviet decision.

[REDACTED]

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Al-though Egyptian claims that Moscow is not fulfilling prewar contracts have been familiar in recent months, seaborne military deliveries have been maintained at usual levels.

These reports could, however, refer to a Moscow decision to halt aid shipments at some future date--after, for instance, deliveries under specific contracts have been fulfilled. A cutoff of aid under these circumstances would not be immediately detectable.

There have been indications over the past several months that the Soviets might be using the level of their military aid to pressure Egypt. The Egyptians have complained [REDACTED]

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[REDACTED] that Soviet compensation for war losses and the general level of military aid are far from adequate. In addition, the communiqué following Soviet Foreign Minister Gromyko's trip to Cairo last month did not mention military aid. [REDACTED]

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UK-NATO: London may reduce its contribution to NATO to meet the Labor Party's pledge to reduce defense spending.

Government sources report that in view of the fact that only 10 percent of UK defense spending is now allocated to non-European areas, the amount devoted to European defense will have to be reduced if any significant cuts are to be made. The sources indicate that the UK intends to bring defense spending on NATO into line with that of its European allies.

With the exception of the US, British defense outlays represent a larger proportion of the gross national product than those of the other major NATO countries. The Labor Party announced after the election that it would attempt to reduce defense spending from its present level of about 5.5 percent of the GNP to about 3.5 percent. This would bring defense spending in terms of the percentage of GNP into line with that of France, West Germany, and Italy.

The major cuts will occur in the 1977-83 time period, although some smaller cuts in current programs are anticipated. Reductions in defense spending will probably affect equipment modernization programs, rather than manpower levels. Programs that may be delayed or even canceled include the European Multirole Combat Aircraft (MRCA), the improved Hawker Siddeley Sea Harrier V/STOL aircraft, and a new small aircraft carrier now under development.

The multirole aircraft appears to be the most vulnerable to a cutback and may be canceled altogether. This program continues to encounter delays, rising costs, and technological difficulties.

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The other two consortium members involved in development of the aircraft--Italy and Germany--do not have a requirement for an air defense version. The entire cost of development thus would fall on Great Britain.

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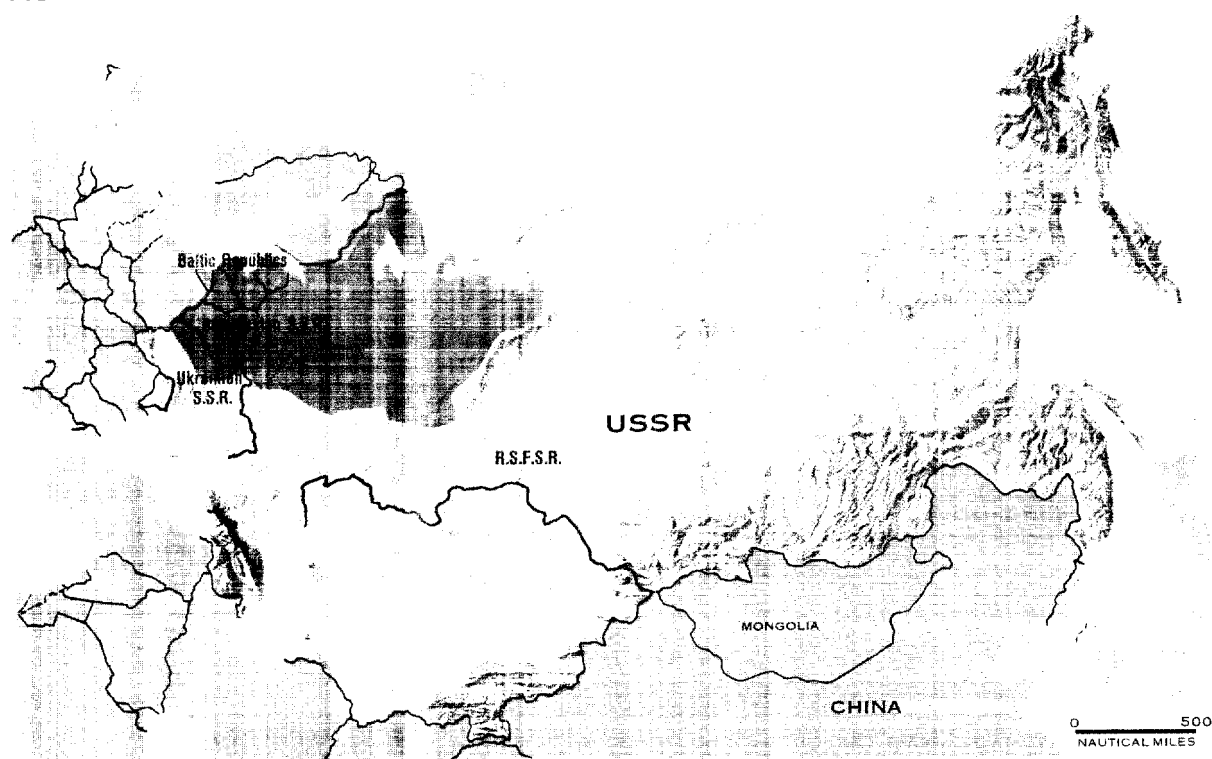


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**Non-Black-Soil Zone of the USSR**

USSR: The recent government decree on the development of agriculture in the non-black-soil zone of the Russian Republic during 1976-80 reveals a much broader program than hinted at by General Secretary Brezhnev in his Alma Ata speech last month. Although land reclamation is described as the program's "basic element," it will also include the application of more agricultural chemicals, delivery of new machinery, and the construction of livestock complexes, rural housing and services, and roads.

The decree notes that the non-black-soil zone is already an important producer of agricultural products, but it contends that the region's "favorable natural and economic conditions" are not being fully employed. The new program, therefore, will concentrate on increasing crop yields and upgrading farm infrastructure, rather than bringing completely new lands under cultivation--as in the New Lands Program during the 1950s.

The raising of dairy and beef cattle will become "the main sector of agriculture" in the zone. Priority attention will also be given to growing grain, potatoes, vegetables, flax, sugar beets, and fodder crops.

The decree endorses organizational reforms in the farm sector, especially the creation of inter-farm organizations. It also resurrects the old plan to move isolated settlers into larger state and collective farms by offering them 15-year loans to build new homes. Responsibility for administering the new program is spread among numerous agencies, which will further complicate the already confused organizational structure of agriculture. Moreover, the decree seems to mark an additional erosion of the authority of Politburo member Polyanskiy's Ministry of Agriculture.

The leading role in implementing the decree will go to a newly created agency under the joint jurisdiction of the USSR Ministry of Land Reclamation and Water Resources and the RSFSR Council of Ministers.

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[REDACTED]

A new RSFSR deputy premier--a former official in the republic reclamation ministry--was named to supervise the new agency at that level.

The USSR Ministry of Agriculture is given only minor responsibilities, and the remainder of the work is divided among some 25 other ministries, committees, and organizations. In the past, responsibility for coordinating their work at the national level would have been Polyanskiy's in his capacity as first deputy premier. Since his demotion a year ago, no one has been named to take over all of his former functions.

If the Soviets are able to sustain the coordinated effort required by this program, large fluctuations in farm output should be dampened. Increased production in the non-black-soil zone would be particularly valuable because this region is a food-deficit area. Because the area is already heavily populated, the new program will not need the huge influx of additional workers that was required for the New Lands Program.

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CHINA: Peking has built a new, four-story exhibit hall to accommodate traders for the month-long Canton Fair, opening on April 15. The new facilities will probably mean increased attendance and the transaction of a greater volume of business. Total contracts signed during the fair last fall were estimated at \$1.3 billion, up from about \$1 billion at the spring fair in 1973.

Peking has taken pains to reassure foreign businessmen that the current political controversies will not affect trade, and thus far there have been no adverse effects.

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Prices for Chinese goods will remain high, keeping pace with increasing world price levels, but the sharp price boosts noted at the spring fair last year are unlikely to be repeated. Peking is currently stressing export sales to meet its growing import bill. Foreign buyers will probably find the Chinese more willing to meet export requirements on styling, labeling, and packaging. Spot shortages of some goods may force the Chinese to ration sales among the many buyers.

The US contingent at the fair is likely to surpass the 245 businessmen who attended the fair last fall. US importers will probably be pressed to increase their purchases to redress the huge imbalance in Sino-US trade. The Chinese incurred an \$800-million trade deficit with the US last year.

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NIGERIA: General Gowon's government is starting to make its first major purchases of sophisticated military equipment since the end of the civil war in January 1970. Both Western and Communist suppliers are being approached, in keeping with Lagos' emphasis on avoiding dependence on any one source.

Nigeria's military rulers have long had plans to modernize the armed forces, the largest military force in black Africa. The program envisions the purchase with cash of such items as fighter and transport aircraft, antiaircraft missiles, armored vehicles, artillery, and communications equipment.

Growing oil revenues, which could reach \$7.5 billion this year, now permit the government to procure expensive arms without damage to Nigeria's national development plan. The military probably wishes to get its arms program well launched in advance of 1976, the target date General Gowon has set for returning Nigeria to civilian rule.

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Gowon is scheduled to make his first visit to Moscow next month and a MIG deal might be concluded then.

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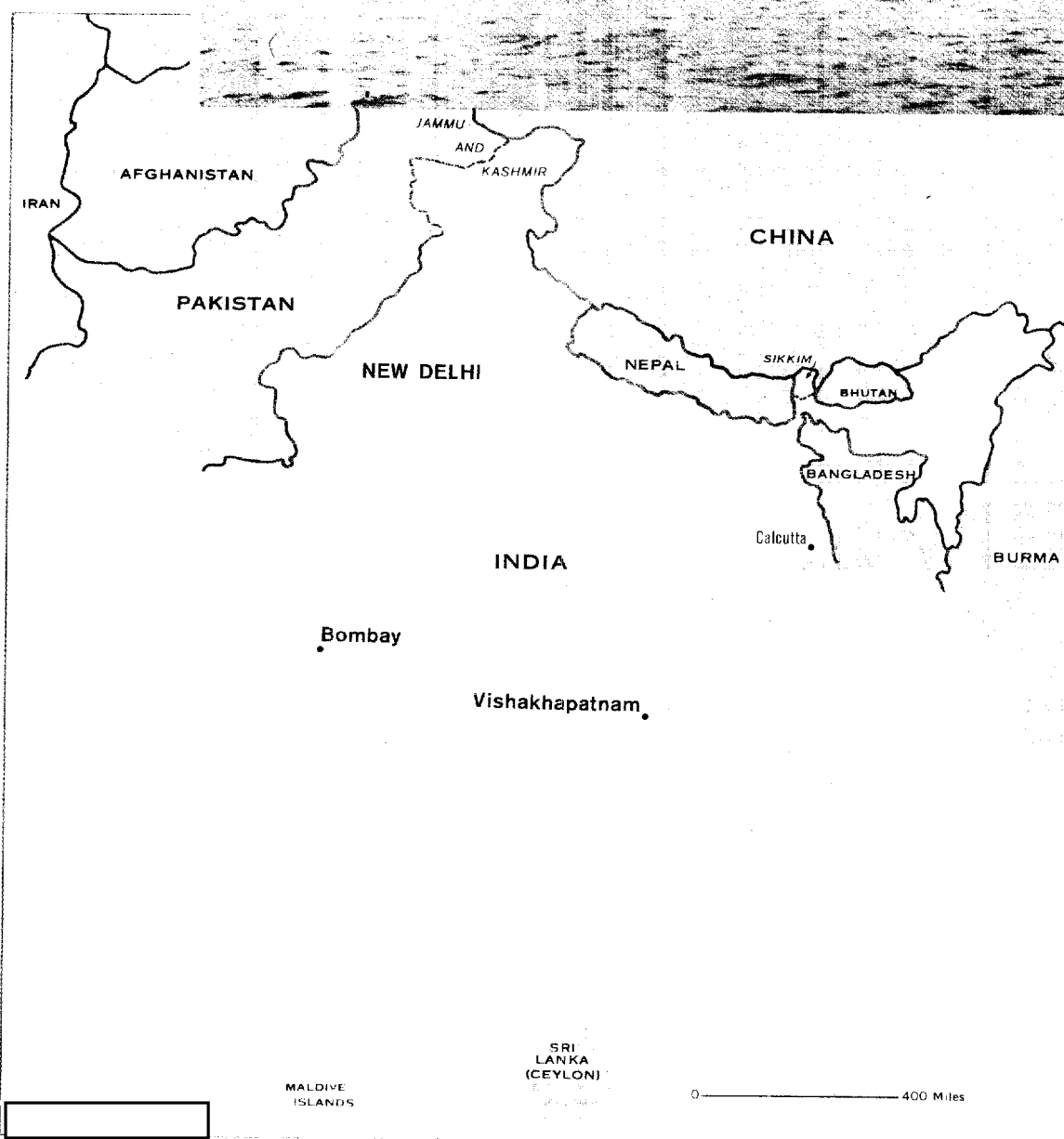
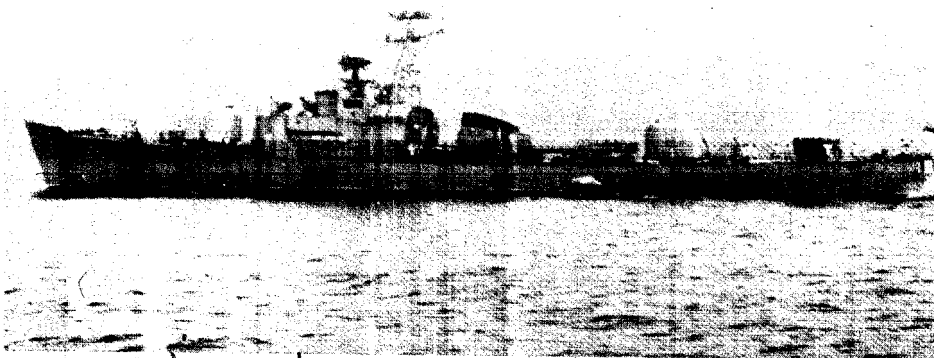
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Petya-Class  
Frigate



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25X1 [REDACTED]  
[REDACTED] The military government appar-  
ently continues to harbor misgivings about the relia-  
bility of the US as a source of supply because of  
Washington's refusal during the Nigerian civil war  
to sell new arms to Nigeria or to supply ammunition  
for weapons sold earlier. Moscow, on the other hand,  
provided Lagos with strong political and military  
support, including about 21 MIG-15 and -17 aircraft.

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FOR THE RECORD

India-USSR: New Delhi has received another  
Soviet-built Petya-class frigate. The ship, the ninth  
of this class to be supplied to India, has been as-  
signed to the Western Naval Command at Bombay. [REDACTED]

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Afghanistan-USSR: Afghanistan received 16 more  
MIG-17 jet fighters from the USSR on March 22. [REDACTED]

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25X1 This is the third group of Soviet MIG-17s to arrive  
in Afghanistan since mid-March. Their delivery brings  
the total number of newly arrived planes in Afghani-  
stan's inventory to 36 and raises its inventory of  
MIG-17s to 89. [REDACTED]

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